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Attorneys for Complainant

**BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

STEVEN J. ALLAN
27 Ellenwood Avenue
Los Gatos, CA 95030

CPA Certificate No. 21502,

Respondent.

Case No. AC-2003-14

OAH No. [not assigned]

**STIPULATED SETTLEMENT AND
DISCIPLINARY ORDER**

In the interest of a prompt and speedy settlement of this matter, consistent with the public interest and the responsibility of the California Board of Accountancy of the Department of Consumer Affairs, the parties hereby agree to the following Stipulated Settlement and Disciplinary Order which will be submitted to the Board for approval and adoption as the final disposition of the Accusation.

PARTIES

1. Complainant Carol Sigmann is the Executive Officer of the California Board of Accountancy. She brought this action solely in her official capacity and is represented in this matter by Bill Lockyer, Attorney General of the State of California, by Jeanne C. Werner, Deputy Attorney General.

2. Steven J. Allan, the Respondent in this matter, is representing himself in this proceeding and has chosen not to exercise his right to be represented by counsel.

3. On or about June 20, 1975, the California Board of Accountancy issued

1 CPA Certificate No. 21502 to Steven J. Allan. The Certificate was in renewed in an inactive
2 status at all times relevant to the charges brought in Accusation No. AC-2003-14 and is renewed
3 through the two-year renewal period ending on April 30, 2004.

4 JURISDICTION

5 4. Accusation No. AC-2003-14 was filed on January 29, 2003, before the
6 California Board of Accountancy (Board), Department of Consumer Affairs, and is currently
7 pending against Respondent. The Accusation and all other statutorily required documents were
8 properly served on Respondent on February 5, 2003. Respondent timely filed his Notice of
9 Defense contesting the Accusation. A copy of Accusation No. AC-2003-14 is attached as exhibit
10 A and incorporated herein by reference.

11 ADVISEMENT AND WAIVERS

12 5. Respondent has carefully read, and understands the charges and allegations
13 in Accusation No. AC-2003-14. Respondent has also carefully read, and understands the effects
14 of this Stipulated Settlement and Disciplinary Order.

15 6. Respondent is fully aware of his legal rights in this matter, including the
16 right to a hearing on the charges and allegations in the Accusation; the right to be represented by
17 counsel at his own expense; the right to confront and cross-examine the witnesses against him;
18 the right to present evidence and to testify on his own behalf; the right to the issuance of
19 subpoenas to compel the attendance of witnesses and the production of documents; the right to
20 reconsideration and court review of an adverse decision; and all other rights accorded by the
21 California Administrative Procedure Act and other applicable laws.

22 7. Respondent voluntarily, knowingly, and intelligently waives and gives up
23 each and every right set forth above.

24 8. Respondent has been advised that, in the absence of this stipulation, the
25 Board would not impose discipline upon his license which is based upon the conviction in issue
26 until a decision in the Respondent's appeal to the United States Court of Appeals, Ninth District,
27 affirmed the conviction.

28 9. Respondent stipulates that the Board may impose the disciplinary order

1 provided herein prior to the underlying conviction becoming final.

2 ADMISSION

3 10. Respondent admits the accuracy of the basis for discipline pled in
4 Accusation No. AC-2003-14, that is, that he was convicted, on or about August 15, 2002, as set
5 forth more fully in paragraphs seven and nine of the Accusation (Exhibit A), of five felony
6 violations, related to acts which are substantially related to the practice of public accountancy,
7 each of which is cause for discipline under Code Section 5100(a).

8 11. By reason of the matters set forth in paragraph 10 above, Respondent
9 stipulates that his CPA Certificate may be subject to discipline, and he agrees to be bound by the
10 Board's imposition of license revocation as set forth in the Disciplinary Order below.

11 CIRCUMSTANCES IN AGGRAVATION AND MITIGATION

12 12. During Respondent's sentencing hearing on April 4, 2003, U.S. District
13 Court Judge D. Lowell Jensen concluded that fraudulent conduct, including that of Respondent,
14 led to investor losses in excess of \$200 million. The sentence imposed, 41 months in federal
15 prison, to be followed by a three-year period of supervised release and a restitution order yet to
16 be fashioned, was determined pursuant to sentencing guidelines in effect in 1994 when the
17 crimes were committed.¹ The relatively short sentence imposed under existing sentencing
18 guidelines, as measured against the significant investor losses, apparently represents a judgment
19 that the responsibility for these losses was shared with other wrongdoers.

20 13. Respondent Steven J. Allan has not been the subject of a previous
21 disciplinary action. He is agreeing to this settlement prior to the conviction (upon which the
22 disciplinary charges are based) becoming final. This settlement facilitates an earlier resolution to
23 this proceeding than would otherwise be possible, in view of the fact that Respondent maintains
24 that his conviction was in error, that he is innocent of the charges upon which he was convicted,
25 and is in the process of appealing said conviction. In the normal course, the Board's case would
26 remain pending before the Board (in a "filed" status) until the conviction appeal was final, at

27 _____
28 1. The Sarbanes-Oxley Act, passed in 2002, and changes to the U.S. Sentencing guidelines
mandated by that Act have substantially increased the penalties for corporate fraud.

1 which time the administrative hearing requested by Respondent would be scheduled.

2 CONTINGENCY

3 14. This stipulation shall be subject to approval by the California Board of
4 Accountancy. Respondent understands and agrees that counsel for Complainant and the staff of
5 the California Board of Accountancy may communicate directly with the Board regarding this
6 stipulation and settlement, without notice to or participation by Respondent. By signing the
7 stipulation, Respondent understands and agrees that he may not withdraw his agreement or seek
8 to rescind the stipulation prior to the time the Board considers and acts upon it. If the Board fails
9 to adopt this stipulation as its Decision and Order, the Stipulated Settlement and Disciplinary
10 Order shall be of no force or effect, except for this paragraph, it shall be inadmissible in any legal
11 action between the parties, and the Board shall not be disqualified from further action by having
12 considered this matter.

13 15. The parties understand and agree that facsimile copies of this Stipulated
14 Settlement and Disciplinary Order, including facsimile signatures thereto, shall have the same
15 force and effect as the originals.

16 16. In consideration of Respondent's stipulation to license revocation, the
17 Board will not seek reimbursement of related and accrued investigation and prosecution costs in
18 this matter at this time. However, should respondent seek reinstatement of his certificate in the
19 future, he agrees that, prior to the Board's consideration of his petition for reinstatement, he will
20 reimburse the Board \$4,350.00 as reimbursement for costs incurred in this action.

21 17. In consideration of the foregoing agreements and stipulations, the parties
22 agree that the Board may, without further notice or formal proceeding, issue and enter the
23 following Disciplinary Order:

24
25 \\\

26 \\\

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1 **DISCIPLINARY ORDER**

2 IT IS HEREBY ORDERED that CPA Certificate No. 21502 issued to
3 Respondent Steven J. Allan is revoked.

4 **ACCEPTANCE**

5 I have carefully read the Stipulated Settlement and Disciplinary Order. I
6 understand the stipulation and the effect it will have on my CPA Certificate. I enter into this
7 Stipulated Settlement and Disciplinary Order voluntarily, knowingly, and intelligently, and agree
8 to be bound by the Decision and Order of the California Board of Accountancy.

9 DATED: May 12, 2003.


10
11 
12 STEVEN J. ALLAN
13 Respondent

14
15 **ENDORSEMENT**

16 The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully
17 submitted for consideration by the California Board of Accountancy of the Department of
18 Consumer Affairs.

19
20 DATED: May 15, 2003.

21 BILL LOCKYER, Attorney General
22 of the State of California

23 
24 JEANNE C. WERNER
25 Deputy Attorney General
26 Attorneys for Complainant

27 DOJ Docket Number: 03541110-SF2002AD1336
28

Exhibit A

Accusation No. AC-2003-14

**BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

STEVEN J. ALLAN
27 Ellenwood Avenue
Los Gatos, CA 95030

CPA Certificate No. 21502,

Respondent.

Case No. AC-2003-14

OAH No. (not assigned)

DECISION AND ORDER

The attached Stipulated Settlement and Disciplinary Order is hereby adopted by the California Board of Accountancy, Department of Consumer Affairs, as its Decision in this matter.

This Decision shall become effective on August 29, 2003.

It is so ORDERED on August 5, 2003.



JOSEPH TSENG
FOR THE CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS

1 BILL LOCKYER, Attorney General
of the State of California
2 JEANNE C. WERNER, State Bar No. 93170
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8 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
9 **DEPARTMENT OF CONSUMER AFFAIRS**
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:

Case No. AC-2003-14

12 STEVEN J. ALLAN
27 Ellenwood Avenue
13 Los Gatos, CA 95030

ACCUSATION

14 CPA Certificate No. 21502,

15 Respondent.
16

17 Complainant Carol Sigmann, as causes for disciplinary action, alleges:

18 **JURISDICTION, STATUTES AND PROFESSIONAL STANDARDS**

19 1. Carol Sigmann, Complainant, brings this Accusation solely in her official
20 capacity as the Executive Officer of the California Board of Accountancy, Department of
21 Consumer Affairs ("Board").

22 2. On or about June 20, 1975, the California Board of Accountancy issued CPA
23 Certificate Number 21502 to Respondent Steven J. Allan. The Certified Public Accountant
24 Certificate has been regularly renewed in an "inactive" status (without continuing education)¹
25 during the time period relevant to this accusation and is currently renewed in an inactive status
26

27 1. Underlying documentation related to license history from the date of issuance through
28 March 1989 is unavailable.

1 through April 30, 2004.

2 3. This Accusation is brought before the California Board of Accountancy
3 (hereinafter Board), Department of Consumer Affairs, under the authority of Section 5100 of the
4 Business and Professions Code,² which provides, in relevant part, that, after notice and hearing
5 the board may revoke, suspend or refuse to renew any permit or certificate granted, or may
6 censure the holder of that permit or certificate, for unprofessional conduct which includes, but is
7 not limited to, one or any combination of the causes specified therein, including the conviction of
8 any crime substantially related to the qualifications, functions and duties of a certified public
9 accountant or a public accountant (Section 5100(a)).

10 4. The Board's regulations, Rule 99, provide that a conviction is substantially
11 related to the qualifications, functions or duties of a certified public accountant if it, to a
12 substantial degree, evidences present or potential unfitness to perform the functions of a CPA in
13 a manner consistent with the public health, safety or welfare.³

14 5. Business and Professions Code section 5107 provides for recovery by the
15 Board of all reasonable costs of investigation and prosecution of cases, including but not limited
16 to attorneys' fees, in specified license discipline actions, including actions where violations of
17 Business and Professions Code section 5100, subdivision (a)(when involving felony convictions)
18 are established. A certified copy of the actual costs, or a good faith estimate of costs signed by
19 the Executive Officer, constitute prima facie evidence of reasonable costs of investigation and
20 prosecution of the case.

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22 \\\

23 \\\

24

25 2. All statutory references are to the Business and Professions Code unless otherwise
26 indicated. Subparagraphs of Section 5100 have been re-lettered, effective January 2003.

27 3. Board rules or regulations cited herein are codified in the California Code of
28 Regulations and will be referenced simply as a Board Rule, e.g., Cal. Code Regs., tit.16, §99 is
referenced herein as Board Rule 99.

1 **FOR CAUSES FOR DISCIPLINE**

2 **Conviction of a Felony Substantially Related**
3 **to the Practice of Public Accountancy**
4 **Media Vision, Inc.**

5 **BACKGROUND**

6 6. Respondent Steven Allan was the Chief Financial Officer of Media Vision
7 Technology, Inc., from approximately mid-1992 and at all times relevant to the criminal charges.
8 Media Vision was a Delaware corporation headquartered in Fremont, California, and was in the
9 business of assembling and selling multi-media computer upgrade kits, computer software, and
10 other computer products. Media Vision sold shares of common stock, and debentures, to the
11 public from November 1992 until about August 1994. According to the criminal indictment
12 leading to Respondent's conviction on five charges, Allan and other Media Vision officers,
13 among other things, created false sales and inventory for Media Vision, and made material false
14 and misleading statements to Media Vision's auditors and creditors, and to the SEC and the
15 public, regarding Media Vision's revenue and profits. This falsely inflated Media Vision's
16 revenue and profits, thereby enhancing Media Vision's ability to borrow money from banks and
17 sell securities to the public, and enabling Respondent to sell his own shares of Media Vision
18 stock at inflated prices.

19 7. Respondent Allan is subject to disciplinary action pursuant to Business and
20 Professions Code section 5100, subdivision (a), in that on or about August 15, 2002, he was
21 convicted, in a jury trial, in the United States District Court, Northern District of California, of
22 five counts charged in case Number CR-98-40167-DLJ (United States of America v. Steven
23 Allan), as follows:

24 A. Three counts of violating Title 18, United States Code Section 1343 (Wire
25 Fraud)(Counts Seven, Eight and Nine of the Indictment), which relate to a listing of phony
26 inventory (worth approximately \$6 million) that was provided to the auditors, and to two
27 telephone conference calls with financial analysts who covered Media Vision.

28 B. Two counts of violating Title 15, United States Code Sections 78m(b)(2),

1 78ff(a) and 17 C.F.R. Section 240.13b2-2)(Counts Twenty-Four and Twenty-Five of the
2 Indictment), which relate to false statements made to Ernst & Young, Media Vision's auditors,
3 in required signed representations to the auditors. These representations were made by Allan in
4 connection with the E&Y financial statement audit and preparation of the Form 10-K required to
5 be filed with the United States Securities and Exchange Commission. The representations
6 concealed agreements related to shipments to two companies with which Media Vision did
7 business, thereby concealing from the auditors false sales, false inventory, hidden product
8 returns, falsely recorded shipments of product, and falsely recorded expenses.

9 8. The date for Respondent's sentencing, originally scheduled for December 6,
10 2002, has been continued to February, 2003.

11 9. Respondent's conviction is substantially related to the qualifications,
12 functions or duties of a certified public accountant within the meaning of Board Rule 99 in that
13 it evidences present or potential unfitness to practice public accountancy. Respondent's acts
14 involved fiscal dishonesty, breach of fiduciary responsibility, and fraud (although Respondent
15 was not engaged in the active practice of public accountancy at the time he committed the acts
16 underlying his conviction).

17 PRAYER

18 WHEREFORE, Complainant requests that a hearing be held on the matters herein
19 alleged, and that following the hearing, the California Board of Accountancy issue a decision:

20 1. Revoking, suspending or otherwise imposing discipline on CPA Certificate
21 Number CPA Certificate Number 21502, issued to Steven J. Allan;

22 2. Ordering Steven J. Allan to pay the California Board of Accountancy the
23 reasonable costs of the investigation and enforcement of this case, pursuant to Business and
24 Professions Code section 5107; and

25 \\\

26 \\\

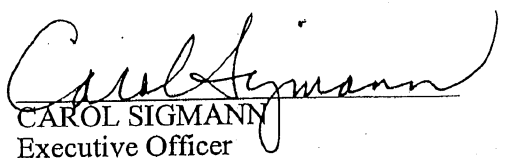
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3. Taking such other and further action as deemed necessary and proper.

DATED: January 29, 2003.


CAROL SIGMANN
Executive Officer
California Board of Accountancy
Department of Consumer Affairs
State of California
Complainant

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JAN 31 2003
STATE OF CALIFORNIA
DEPARTMENT OF CONSUMER AFFAIRS
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SAN FRANCISCO, CA 94103